

**The Credit Union Connection**  
**LIQUIDITY**

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INSTRUCTION: This document may be reviewed in several ways:

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## The Credit Union Connection LIQUIDITY

### Central Minnesota Federal Credit Union

20 South 4<sup>th</sup> Avenue East

Melrose, MN 56352

Phone: 320-256-4269

[www.centralmnfcu.org](http://www.centralmnfcu.org)

Charter 24654

Assets: \$427 million

Year Chartered: 1939

#### *Loan Programs Through Farmer Mac*

The credit union utilizes the Federal Agricultural Mortgage Corporation (Farmer Mac) programs to enhance its liquidity. Farmer Mac offers *Full-Time Farm Mortgages*, which are loans on commercial farms and ranches. Farmer Mac buys the mortgage loans from the credit union at competitive rates thereby, providing the credit union a way to increase liquidity and free up capital while managing credit and interest rate risk. The *Farmer Mac II* program provides a secondary market for originators and investors using the U.S. Department of Agriculture (USDA) guaranteed loan programs. Through *Farmer Mac II*, the credit union can sell the guaranteed portions of USDA loans directly to Farmer Mac at competitive rates and terms. This allows the credit union to provide fixed rate terms to members who otherwise may not have qualified for them. Eligible loans include the Farm Service Agency's *Farm Ownership* and *Farm Operating* guaranteed loans, as well as Rural Development's *Business & Industry* and *Community Facility* guaranteed loans.

Another Farmer Mac program that the credit union utilizes is the *Part-Time Farm Mortgages* program. *Part-Time Farm Mortgages* are loans on single-family, owner-occupied, principal residences or second homes. Some agricultural crop or livestock use must be underway or planned on the property. These types of loans typically will not qualify for a conventional secondary market loan therefore, the *Part-Time Farm Mortgage* program allows the credit union to serve members needs for such financing.

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#### **Elm River Credit Union**

P.O. Box 307

Kindred, ND 58051

Phone: 701-428-9111

<http://www.elmriver.org>

Charter: 64444

Assets: \$12 million

Year Chartered: 1954

#### *Partnering with Another Credit Union for Secondary Market Financing*

The credit union is involved in a participation loan program that has been very beneficial in providing liquidity. The credit union has low lending limits, but needs to make much larger loans in order to serve its agricultural community. Without the ability to sell loans through the Program, the credit union would have to turn members away. The Program provides an excellent opportunity for the “buying” and “selling” credit unions. The “selling” credit union usually asks for 1.5 percent to 2 percent of the interest from the “buying” credit union for handling the loan. The “buying” credit union typically gets a better return than on other investments. Elm River maximizes its loan investment with this program.

The credit union sells its participation loans to Dakota West Credit Union of Watford City, ND. Occasionally, there is a need to involve another credit union in addition to Dakota West, if the loan is very large. Elm River’s total participation loan portfolio is approximately \$1.5 million.